GOVERNMENT OF
NEWFOUNDLAND
AND LABRADOR

DEPARTMENT OF FINANCE
TAXATION AND FISCAL POLICY BRANCH

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TAX INFORMATION BULLETIN
Retail Sales Tax on Insurance Premiums

Under the Retail Sales Tax Act, a person or company who maintains a **contract of insurance** relating to property, risk, peril or events in the province must pay 15% tax on the **premium** for that **insurance**.

A **Contract of Insurance** includes a policy, certificate, interim receipt, renewal receipt or writing evidencing a contract of insurance whether sealed or not and a binding oral agreement of insurance.

Insurance means an undertaking by a person

(I) to indemnify another person against loss or liability for loss with respect to a certain risk or peril in the province to which the object of insurance may be exposed, or

(ii) to pay a sum of money or thing of value upon the happening of a certain event in the province.

Premium means the single or periodic payment required for a contract of insurance and includes all dues, assessments, transaction fees and other consideration charged by the insurer or the insurer's agent.

RISK BOTH WITHIN AND OUTSIDE OF THE PROVINCE

Where a contract of insurance relates to property, risk, peril or events both in and out of the province, the tax should be calculated only upon the portion of the payment relating to property, risk, peril or events in the province according to the following formula:

$$T = P/I \times C$$

Where:

T = consideration paid for the taxable portion of the contract of insurance;
P = total monetary value of property, risk, peril or events covered by the contract of insurance which are in or relate to the province;
I = total monetary value of property, risk, peril or events covered by the contract of insurance; and
C = consideration paid for the entire contract of insurance.

EXEMPTIONS

The following types of insurance are exempted from the tax on insurance premiums:

- accident insurance
- sickness insurance
- life insurance
- marine insurance, other than marine insurance on sport watercraft, when the sport watercraft are 20 tons gross or less
- surety, guarantee or fidelity type bonds

Accident Insurance means insurance by which the insurer undertakes, other than incidentally to some other class of insurance, to pay insurance money in the event of accident to the person insured. It does not include insurance money payable both in the event of death by accident and in the event of death from another cause.

Life Insurance means insurance by which the insurer undertakes to pay insurance money upon death of the insured. It may also be payable upon the happening of a contingency dependent on human life, or where the insurer undertakes to pay insurance money subject to the payment of premiums for a term depending on human life. However, except to the extent of double indemnity insurance, it does not include insurance payable in the event of death by accident only.

Marine Insurance means insurance against losses incidental to marine adventure. This insurance may be extended to protect the insured against losses on inland waters or by land or air which are incidental to a sea voyage provided the coverage is extended by the express terms of a contract or by usage of trade.

Sickness Insurance means insurance by which an insurer undertakes to pay insurance money in the event of sickness of the person insured. This does not include disability insurance

REGISTRATION

An insurer or insurer's agent who maintains an office or local representative within the province is required to register with the Department for the purposes of collecting the tax.

Registration forms are available from the Department from the addresses below, or by calling (709) 729-6386.

REMITTANCE OF TAX

Tax is payable at the time of the sale or purchase on the total premium charged for the contract of insurance. It is common practice among insurers, agents or representatives to extend payment terms to customers, ie. the premium may be payable by the insured in 12 equal monthly instalments. However, the seller of the insurance is required to levy the tax upon the full premium amount at the time of the sale or purchase regardless of the payment terms extended by the insurer, agent or representative and remit that tax on its next monthly return.

Where a person purchases a contract of insurance from an out of province seller not registered to collect the tax, then that person must self assess and remit the appropriate amount of tax directly to the Department

Companies purchasing a contract of insurance should note that the 15% tax charged is not the Harmonized Sales Tax (HST). Consequently, **it is not eligible as an input tax credit** on the HST return.

Should you require information regarding any of the tax laws administered by the Tax Administration Division, please contact the office at:

Tax Administration Division
Confederation Building
P.O. Box 8720
St. John's, Nfld.
A1B 4K1
Phone: (709) 729-6297
Fax: (709) 729-2856

Disclaimer: These bulletins are prepared as guidelines and interpretations of the statutes. Where a conflict between the bulletins and statutes arise, the statutes will take precedence.